



HB 5895

Testimony offered by State Director, Randall Thompson

House Energy & Technology Committee

June 21, 2006

On behalf of the nearly 20,000 members and supporters of FreedomWorks in Michigan, I urge the committee to pursue efforts to promote a truly competitive market for video programming while avoiding unnecessary regulatory burdens that limit the ability to bring new technologies and services to consumers at the lowest prices possible. HB 5895 is a major step forward for video competition in Michigan, providing consumers a real choice in the market for video services. The legislation eliminates outdated regulations to create an open and competitive market for all providers of video programming.

With this in mind, I'd like to refocus your attention - past the last few weeks of testimony that you have taken. Noted Economist Adam Smith said "When Government interevenes - it should be on behalf of the consumer and not the producer." For several weeks, we have heard from all the beneficiaries of this legislation. The companies that are in and want to get in, the municipalities, think tanks and lawyers. However, ultimately, this should be about the consumer. As consumers, we want more choices, lower prices and better services. Yes. The question is - how do we get there? One way we cannot - is by waiting.

Federal legislation is ongoing. Does Michigan want to be one of 5 or 6 to attract investment dollars and jobs or 1 of 50? We need to move now.

After listening intently to the arguments from both sides, I was struck by a few items. Cable and the new aspirant providers all refer to franchise fees as "we'll pay 5%" or "we'll pay what they pay." In essence, they pay nothing - it's taxpayers dollars. Your constituents money. It's a line item at the bottom of every cable bill. Consumers are led to believe that they don't have a dog in this fight - but they'll get the veterinary bill when this is all over. This dialogue needs to change.

Secondly, this discussion of buildout. VOIP is a hot new technology. I have it. And, the reason I have it was because there was not a regulator who inserted themselves into my transaction. I had a choice - with no buildout requirements - to take advantage of the latest technology at the lowest price. My bill went from \$60 to \$25 with the click of a mouse. It did this because there was no hinderance to competition. Additionally, A company's ability to compete is only hindered when they have to try and make 1200 individual agreements across the State of Michigan. What this type of legislation does, is allow a streamlined process where a competitor can go to the State and enter the market to compete - to get their services to we, the consumers, in the most timely fashion.

Finally, I am struck by the zest and zeal of the municipalities. If they are going to continue to get our tax dollars, in the form of a franchise fee and possibly increase their fees due to competition, require right of way fees and insure all of our ability to keep PEG channels – why are they so against this? In every state, it starts the same way – people are concerned, then understand, then accept. The Texas municipalities didn't, in the end, oppose statewide franchising, nor did Indiana, nor did Kansas. We, as consumers and constituents, don't get it.

Nevertheless, as Adam Smith says, we ask you to measure provisions in this bill based upon how it effects the CONSUMER, not the incumbent cable company, the new entrant, or the city or township.

History in other technology deregulation shows us that barrier free competition – is “advantage consumer.” And, we have examples in cable competition where it is shown. The committee, in earlier testimony, wanted specifics. FreedomWorks has been deeply involved in the reforms passed in Texas, Indiana and Kansas. Therefore, specifics I have:

the example of Keller, Texas has been brought up a lot - in Keller, a suburb in the Dallas-Fort Worth area, Verizon is offering a package of 180 channels for \$39.95 a month, 18 percent lower than the 70-channel package offered by Charter Communications for \$48.99 a month. Since Verizon began its service in Keller last September, it has also begun to offer the same package to 13 other Texas communities.”

In Fort Wayne Indiana – just the threat of competition lowered their cable prices and the incumbent cable provider increased their channel selection. This was just the threat. After Indiana's bill passed – AT &T announced broadband rollout and potential video service to 33 rural communities. Then, they came back a few weeks ago with their announcement of a 250 million dollar investment.

HB 5895 offers substantive reforms that replace much of the existing regulatory structure with open and competitive markets. This is important not only for encouraging the investment necessary to build the communications networks of the future, but also for bringing consumers the most innovative products at the lowest prices. Creating the right incentives for broadband deployment will provide a boost to the Michigan's economy. A study by FreedomWorks Sr. Economist, Dr. Wayne Brough, found that widespread broadband deployment would create over 34,000 jobs in Michigan while boosting state output by more than \$13 billion.¹

In a struggling economy, and in a state where – sadly – last night it was reported that we have city after city on the list of the most shrinking cities in the United States of America – couldn't we become the leader in something other than welfare or unemployment benefits? Maybe some good news? This is a step in that direction. But, it won't be if we wait on federal legislation to lump us in with everyone. Once again, Michigan will probably fall to 47th on some other list as just another left behind state.

Government cannot stand in the way of investment in this dynamic sector of the economy. Telephone companies, wireless providers, cable companies, Internet Service Providers, and others are striving to provide the next generation of services for the consumer – if you'll allow them to get it to us.

I'd be happy to take any of your questions.

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